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# Potential For Improvement In The Naval Reserve Drill Pay System

B-125037

Department of the Navy

UNITED STATES  
GENERAL ACCOUNTING OFFICE

AUG. 18, 1971

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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

DEFENSE DIVISION

B-125037

Dear Mr. Secretary:

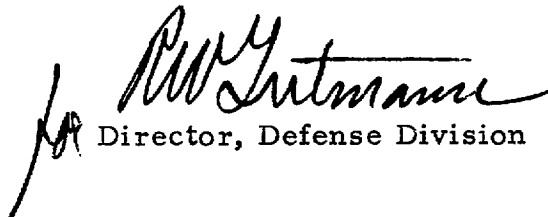
The accompanying report summarizes the findings, conclusions, and recommendations based on our review of the Naval Reserve Drill Pay System. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Appropriate corrective action has been taken or promised by the Department of the Navy on most of our recommendations. The Navy disagreed, however, that a sign-in and sign-out procedure should be adopted for attendance at drills and that the Naval Audit Service should review periodically the adequacy of command inspections and the effectiveness of the Naval Reserve Drill Pay System. We believe that both of these matters deserve reconsideration.

Your attention is invited to section 236 of the Legislative Reorganization Act of 1970 which requires that you submit written statements of the action taken with respect to the recommendations. The statements are to be sent to the House and Senate Committees on Government Operations not later than 60 days after the date of this report and to the House and Senate Committees on Appropriations in connection with the first request for appropriations submitted by your agency more than 60 days after the date of this report.

Copies of this report are being sent to the Director, Office of Management and Budget, and the Secretary of the Navy.

Sincerely yours,

  
Director, Defense Division

The Honorable  
The Secretary of Defense

## D I G E S T

### WHY THE REVIEW WAS MADE

The centralized Naval Reserve Drill Pay System processes over one million checks annually. Reserve units submit monthly drill reports to the Navy Finance Center which prepares the paychecks. Payments totaling over \$73 million were made in fiscal year 1970 to over 100,000 reservists in 2,800 reserve units.

The General Accounting Office (GAO) reviewed the Naval Reserve Drill Pay System to determine whether it was operating effectively and whether reservists were receiving proper drill payments and retirement credits.

### FINDINGS AND CONCLUSIONS

The basic documents--attendance records and drill reports--for the Naval Reserve Drill Pay System contain discrepancies in the number of drills performed by reservists. The absence of uniform attendance procedures and a standard attendance form contributed to the discrepancies. As a result, erroneous payments were made to reservists and erroneous credit was recorded for retirement benefits.

GAO reviewed payments to 130 reserve units made during July 1969 and found erroneous payments totaling about \$113,000. Follow-up reviews at certain units in June and July 1970 found similar mispayments. (See pp. 6 to 11.)

None of the erroneous payments that GAO found were a result of the functions performed by the Naval Finance Center. The Center is effective in processing drill reports and maintaining pay records for reservists on the basis of the drill reports that it receives.

The Navy should review the controls and procedures used by the reserve units to record and report drills performed. The procedures used by the Navy Finance Center in processing drill payments also should be reviewed.

GAO believes that Navy internal reviews--primarily command inspections--have not ensured the accuracy of these payments. Furthermore the Naval Audit Service has never made a comprehensive review of the Naval Reserve Drill Pay System. (See pp. 11 to 14.)

Two automated systems--the drill pay and personnel management systems--exist along with a manual reserve officer retirement record

system. All three systems use the drill report as a basic source of information.

A March 1969 Navy report concluded that automating the posting of drills performed by officers to their retirement records was feasible and should increase the accuracy of data recorded. The report noted, however, that automating the system would be too costly, despite its benefits.

GAO believes that the Navy should reconsider automating officers' retirement records and combining this function with either the drill pay system or the personnel management information system. (See pp. 14 to 16.)

#### RECOMMENDATIONS OR SUGGESTIONS

The Secretary of the Navy, to ensure that attendance data are accurate, should prescribe

- uniform procedures for observing and recording attendance at drills;
- a standard attendance form for all reserve units;
- sign-in and sign-out requirements for reserve units, where practicable; and
- procedures for verifying drill reports with attendance records.

To facilitate internal review in the management of the drill pay system, the Secretary should require that

- reserve commands issue uniform and specific guidelines for inspecting all types of reserve units and
- the Naval Audit Service review periodically the adequacy of command inspections and the effectiveness of the drill pay system.

The Secretary also should reconsider automating officers' retirement records and combining them with either the drill pay system or the personnel management information system.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Navy agreed with most of GAO's recommendations and stated that action would be taken to correct the situation.

The Navy disagreed that a sign-in, sign-out procedure would be needed if a standard attendance form were developed and if procedures were implemented to ensure accurate attendance data. GAO continues to believe that a sign-in, sign-out procedure would provide greater assurance that attendance data were accurate. Also this procedure would protect individual reservists from the results of errors made by others.

The Navy disagreed also that the Naval Audit Service should make periodic reviews of the adequacy of command inspections and of the effectiveness of the pay system. The Navy believed that its periodic reviews of segments of the system served the same purpose and required less resources than the recommended comprehensive review. GAO, however, believes that limited reviews of segments of the pay system may not disclose the magnitude of system deficiencies and that comprehensive reviews are necessary from time to time to apprise top management of the system's overall effectiveness. :

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The Navy disagreed also that the Naval Audit Service should make periodic reviews of the adequacy of command inspections and of the effectiveness of the pay system. The Navy believed that its periodic reviews of segments of the system served the same purpose and required less resources than the recommended comprehensive review. GAO, however, believes that limited reviews of segments of the pay system may not disclose the magnitude of system deficiencies and that comprehensive reviews are necessary from time to time to apprise top management of the system's overall effectiveness.

## CHAPTER 1

### INTRODUCTION

In 1965 the Navy developed a centralized Naval Reserve Drill Pay System which processes over one million checks annually. Payments totaling over \$73 million were made in fiscal year 1970 to over 100,000 Naval reservists for attending drills at about 2,800 reserve units located throughout the United States.

The General Accounting Office reviewed the Naval Reserve Drill Pay System to determine

- how drills performed by reservists were observed and recorded by the reserve unit,
- which naval organizations administered various phases of the drill pay system and how these organizations carried out their responsibilities,
- how accurate payments were for attendance at drills,
- how reservists were given credit for retirement benefits for drills performed, and
- what internal reviews and audits were made of the drill pay system.

As conceived, the drill pay system is procedurally simple. When a reservist performs a drill, the reserve unit records the drill on monthly drill reports--one for officers and one for enlisted members. These drill reports are forwarded to the Navy Finance Center in Cleveland, Ohio (Comptroller of the Navy), which processes a check to pay the reservist for drills performed. In addition to being paid for drills performed, a reservist receives credit for these drills for retirement benefits.

Drill reports are preprinted monthly by the Personnel Accounting Machine Installation, Bainbridge, Maryland (Bureau of Naval Personnel), and are sent to each reserve unit. These reports contain current personnel data for each

member in the unit. Space is provided on the report for recording drills performed and personnel data changes.

A drill report is an important document. It provides basic data not only for the drill pay system but also for the manpower and personnel management information system and the reservist retirement system. Copies of a completed drill report are sent to the

- Personnel Accounting Machine Installation to update personnel files;
- Navy Finance Center for processing drill payments;
- Naval Officer Record Support Activity, Omaha, Nebraska (officers only), for recording drills performed for retirement benefits; and
- cognizant military commands for information.

The reserve units retain a copy of the report to record drills for retirement benefits in the service records of enlisted members.

The drill pay system is administered by the Comptroller of the Navy. The manpower and personnel management information system and the reservist retirement system are administered by the Bureau of Naval Personnel.

## CHAPTER 2

### REPORTING ATTENDANCE AT DRILLS

The basic documents--attendance records and drill reports--for the Naval Reserve Drill Pay System contain discrepancies in the number of drills performed by reservists. The absence of uniform attendance procedures and a standard attendance form contributed to the discrepancies. As a result, erroneous payments were made to reservists--\$113,000 in July 1969--and erroneous credits for drills were recorded for retirement benefits.

### DISCREPANCIES IN REPORTING DRILLS PERFORMED

From reserve units in the United States, we statistically selected 130 units for our review. These included 70 shore, 30 air squadron, and 30 ship units. Of the 130 reserve units, 22 units did not provide us with attendance records. Some units did not maintain attendance records; others had destroyed or discarded them.

Our comparison of July 1969 drill reports with the attendance records for 108 units showed that 182 discrepancies had been made in recording the drills performed on drill reports of 46 units. As a result, overpayments and underpayments totaling \$5,065 were made.

About 89 percent of the \$5,065 (78 percent of the discrepancies) were overpayments for drills. For example:

In one reserve unit 14 reservists were paid for drills which were recorded on the drill report as being performed by these reservists. The attendance record, however, did not show that these drills were performed. Overpayments of about \$580 were made to these reservists.

From our sample we estimate that errors in payments made to reservists for 1 month, July 1969, totaled \$113,000.

Because the drill reports were used to record drills in the reservists' retirement records, these discrepancies also resulted in crediting the reservists with either too many or

too few drills for retirement purposes. This could ultimately affect the reservists' eligibility for retirement.

We also reviewed 1970 drill payments and found similar problems. For example, our review of attendance records and drill reports for the period June and July for 20 units showed that similar discrepancies occurred. As a result, erroneous payments were made to reservists in 12 units.

None of the erroneous payments that we found were attributable to the functions performed by the Navy Finance Center. We found that the Center was effectively processing drill payments and maintaining pay records for reservists on the basis of the drill reports that it received.

#### LACK OF UNIFORM ATTENDANCE PROCEDURES AND STANDARD ATTENDANCE FORM

Reserve units used different methods to observe and record attendance at drills because uniform attendance procedures and a standard attendance form had not been prescribed by the Navy. This, in our opinion, contributed to the discrepancies in the drill reports.

#### Uniform attendance procedures needed

Neither the Naval Reserve Training Command (responsible for ship and shore reserve units) nor the Naval Air Reserve Training Command (responsible for air squadron reserve units) issued uniform procedures for recording attendance at drills. Instead, intermediate commands issued numerous different procedures for observing and recording attendance at drills.

Our analysis of the procedures issued by 20 intermediate commands and in effect in July 1969 showed that

- 15 commands issued instructions for recording attendance;
- 12 commands specified methods for taking attendance, such as roll call or observation;
- 10 commands required that a designated official supervise the taking of attendance;

- five commands required attendance to be taken at the beginning and end of drill; and
- three commands required drill reports to be verified against attendance records.

In our opinion, the use of numerous nonstandard procedures increases the likelihood of errors in recording attendance at drills.

#### Standard attendance record needed

Currently many different attendance forms are being used. Some units are not maintaining records for both of-ficers and enlisted members and others are using different procedures in preparing attendance records. Specifically, our analysis of attendance records of 108 units showed that

- 39 different forms were used to record attendance;
- 17 units did not maintain attendance records for of-ficers, even though attendance records were main-tained for enlisted members;
- attendance records at 44 units were not signed or initialed by an appropriate official; and
- attendance records at 39 units had corrections which were not signed or initialed.

To simplify the recording of attendance, one standard attendance record should be prescribed for use by all re-serve units. Further, instructions should be issued ex-plainning how the attendance record is to be prepared. Such instructions should include a requirement that reservists sign in and out at drills and that drill reports be inde-pendently verified with attendance records. The use of a standard attendance record not only would reduce the number of errors in recording attendance but also would aid in the audits of the reserve units.

#### CONCLUSION

Drill reports are the basis upon which pay is computed and retirement credit is given to reservists. They can be

only as accurate as the attendance reports on which they are based.

Currently there are a sufficient number of discrepancies between drill reports and attendance records for drills performed to seriously affect the accuracy of payments under the Naval Reserve Drill Pay System. We believe that these discrepancies can be reduced.

#### RECOMMENDATIONS

To ensure that attendance data are accurate, we recommend that the Secretary of the Navy prescribe

- uniform procedures for observing and recording attendance at drills;
- a standard attendance form for use by all reserve units;
- sign-in and sign-out procedures for reserve units, where practicable; and
- procedures for verifying drill reports with attendance records.

#### AGENCY COMMENTS AND GAO EVALUATION

In a letter dated May 24, 1971, the Assistant Secretary of the Navy (Financial Management) furnished Navy comments on the proposals included in a draft of our report. (See app. I.) The Navy agreed with our proposals for observing and recording attendance at drills, for using a standard attendance form, and for implementing procedures for verifying drill reports with attendance forms. We were informed that the Chief of Naval Personnel would coordinate the development of a standard form and would implement procedures to ensure accurate attendance data.

The Navy did not concur with our proposal for reservists to sign in and sign out at drills. It was believed that the development of a standard form and implementation of procedures to ensure accurate attendance at drills would make this procedure unnecessary.

Our view, however, is that a sign-in, sign-out requirement will not only provide greater assurance to the Navy that drill attendance records are accurate but also will protect individual reservists from the results of attendance errors made by others. Such errors could result in a reservist not being paid for drills attended. Also if a reservist has obligated service, such errors could result in his being subject to call to active duty because of apparent failure to attend the required number of drills.

Consequently we believe that the Secretary of the Navy should reconsider our recommendation that he prescribe sign-in and sign-out procedures for reservists attending drills.



## CHAPTER 3

### INTERNAL REVIEW AND AUDIT OF DRILL PAY SYSTEM

To ensure the accuracy of drill reports and drill payments, internal reviews and audits should be made of the controls and procedures used by reserve units to record and report drills performed and by the Navy Finance Center in processing drill payments. In our opinion, Navy internal reviews--primarily command inspections--have not adequately accomplished this purpose. Further, the Naval Audit Service has never made a comprehensive review of the Naval Reserve Drill Pay System.

Inspections are made by the Naval Reserve Training Command for ship and shore units and by the Naval Air Reserve Training Command for air squadron units. These inspections are made to determine whether units are accomplishing their missions.

Command inspection guidelines in effect in July 1969 were not sufficiently explicit to disclose discrepancies similar to those that we identified. For example, neither Command required inspection teams to compare attendance records with drill reports to ensure that attendance records were retained for audit. The Naval Reserve Training Command did revise its guidelines in January 1970 to include these requirements.

The Naval Air Reserve Training Command, however, has not changed its guidelines to include these requirements. Although fiscal year 1970 command inspection reports showed no weaknesses in controls over recording and reporting drill attendance, our review of air squadron units for the period June through September 1970 showed discrepancies in recording and reporting drill attendance.

The Naval Audit Service has not performed a comprehensive audit of the drill pay system since the inception of the system in 1965. In fiscal year 1971, the Naval Audit Service planned to audit the reserve program including the drill pay system at two naval districts. We understand this audit has been postponed until fiscal year 1972. Naval Audit Service reports for fiscal year 1970 showed audits of drill pay controls at only five installations.

## CONCLUSION

Internal review is a necessary and vital function of management. For the drill pay system, the command inspections fulfill part of this function through inspections of the attendance procedures in reserve units. These inspections, however, are not the same for all units. Without uniform inspection procedures and comprehensive audits by the Naval Audit Service, the Navy lacks an effective review of the procedures for observing, recording, and reporting drills performed in the reserve units.

## RECOMMENDATIONS

To accomplish the vital role of internal review in the management of the drill pay system, we recommend that the Secretary of the Navy require that

- the reserve commands issue uniform inspection guidelines for all types of reserve units and
- the Naval Audit Service review periodically the adequacy of command inspections and the effectiveness of the Naval Reserve Drill Pay System.

## AGENCY COMMENTS AND GAO EVALUATION

In the letter of May 24, 1971, the Navy concurred with our proposal that reserve commands issue uniform inspection guidelines for all types of reserve units. We were informed that the commands involved were reviewing their inspection guidelines for command inspections and would revise them as deemed necessary to conform to our findings.

The Navy did not agree with our proposal that the Naval Audit Service periodically review the adequacy of command inspections and the effectiveness of the Naval Reserve Drill Pay System on a comprehensive basis. The Navy noted that the Naval Audit Service was performing effective periodic audits of the various segments of the reserve drill pay system and that these audits had disclosed the same type of discrepancies that we noted. The Navy believed that a more comprehensive audit would require more resources than the type of audit being performed but would not be more effective in disclosing deficiencies and the corrective action required.

It was not our intention that the Naval Audit Service audit the entire reserve drill pay system on a periodic basis in lieu of the present periodic audits of segments of the system made on a cyclical basis at various naval installations and activities. Reviews of segments of a system, however, are not likely to disclose the type and magnitude of all significant deficiencies in the system. Consequently necessary corrective action may not be taken to achieve overall system effectiveness, either because there are unidentified deficiencies in portions of the system not yet reviewed or because known deficiencies do not appear to be of sufficient magnitude to command the attention of appropriate management levels.

For example, although the Navy stated that its periodic reviews of the Naval Audit Service had disclosed discrepancies similar to those that we found, there was no indication that these findings had resulted in any overall corrective action at an appropriate level of command as might be expected if a more comprehensive review of the reserve drill pay system had been made and if the results had been furnished to senior management levels.

We believe that the Secretary of the Navy should reconsider the desirability of having the Naval Audit Service make servicewide reviews of the effectiveness of the Naval Reserve Drill Pay System, including the adequacy of command inspections, from time to time to apprise top management of the overall effectiveness of the system.

## CHAPTER 4

### AUTOMATING RETIREMENT RECORDS

Two automated systems--the drill pay and personnel management systems--exist along with a manual reserve officer retirement record system. All three systems use the same basic document, the drill report. One of the automated systems, in our opinion, could absorb the function of the reserve officer retirement system.

Retirement records which show the number of drills performed by 120,000 reserve officers are maintained manually at the Naval Officer Record Support Activity in Omaha. The number of drills performed by reserve officers and posted to retirement records are derived from the monthly drill reports. These reports are the same reports used in the drill pay system at Cleveland and the personnel management system at Bainbridge. Thus there are three activities processing data from identical documents.

In March 1969 the Bureau of Naval Personnel studied the possibility of automating the retirement records. The study concluded that automation of these records (1) was feasible, (2) should increase accuracy in recording data, (3) could reduce manual effort in recording data, and (4) could improve the updating of personnel files. The study, however, concluded also that automation would increase the staff, would be costly, and would result in a substantial increase (49 percent) in annual operating costs--all without improving service to officers and management.

Estimates included the cost of converting from a manual system to an automated system of \$273,500. This would include preparing the site for the computer; system design; programming; and purchase of microfilm, equipment, and supplies. Further, the estimated cost of concurrent operation of both the manual and mechanized system until the mechanized system proved effective amounted to \$215,500. Additional annual costs of \$147,000 for personnel, computer rental, and microfilming would be incurred after conversion to the automated system.

The study only considered automating the system at Omaha; no consideration was given to absorbing this function into one of the automated systems at Cleveland or Bainbridge.

### CONCLUSION

Long-range benefits could accrue to the Navy by automating the reserve officer retirement system. It could be consolidated with the drill pay system or the personnel management information system. In our opinion, the conversion and operating costs would be less than the Bureau of Naval Personnel's estimate.

### RECOMMENDATIONS

We recommended that the Secretary of the Navy reconsider automating officers' retirement records and combining this function with either the drill pay system or the personnel management system.

### AGENCY COMMENTS

On May 24, 1971, the Navy informed us that the Chief of Naval Personnel would conduct an investigation to determine whether it would be feasible to merge officer retirement records with the Naval Reserve Manpower System. The Navy stated that, if a merger was practicable, an implementation plan would be accomplished.

## CHAPTER 5

### SCOPE OF REVIEW

To evaluate the Naval Reserve Drill Pay System, we reviewed the following naval activities.

#### Navy Finance Center, Cleveland, Ohio

- To determine if reservists were paid properly for drills performed, we compared drill reports for July 1969 with attendance records for 6,558 reservists assigned to 108 selected training units.
- To ascertain if personnel and pay information was recorded properly, we compared data shown on the pay records of 1,500 reservists with drill reports.

#### Naval Officer Record Support Activity, Omaha, Nebraska

- To determine if credit for drills for retirement benefits was being recorded properly, we compared the number of drills performed, as shown in drill reports, with the number of drills recorded in retirement records of selected officers.

#### Personnel Accounting Machine Installation, Bainbridge, Maryland

- To obtain information on how personnel data were recorded, we reviewed the procedures and controls for processing drill reports.

#### Naval Reserve Training Command, Omaha, Nebraska, and Naval Air Reserve Training Command, Glenview, Illinois

- To ascertain the type and scope of inspections performed at reserve units, we examined instructions issued by these commands for inspections and the reports showing the results of the inspections.

Various reserve units

--We evaluated the procedures and controls for observing, recording, and reporting attendance at drills by reservists. We visited two reserve units at each of the following naval reserve training centers and naval air stations.

Naval Reserve  
Training Centers

Boston, Massachusetts  
Chicago, Illinois  
New Orleans, Louisiana  
Philadelphia, Pennsylvania  
San Francisco, California

Naval Air Stations

Alameda, California  
Glenview, Illinois  
New Orleans, Louisiana  
South Weymouth, Massachusetts  
Willow Grove, Pennsylvania

APPENDIX





DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20350

24 MAY 1971

Mr. Charles M. Bailey  
Director, Defense Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Bailey:

The Secretary of Defense has asked me to reply to your letter of 22 March 1971 which forwarded the GAO draft report on the Naval Reserve drill pay system.

I am enclosing the Navy reply to the report.

Sincerely yours,

A handwritten signature in cursive script, reading "Charles A. Bowshey", is positioned below the "Sincerely yours," text.

CHARLES A. BOWSHER  
ASSISTANT SECRETARY OF THE NAVY  
(FINANCIAL MANAGEMENT)

Encl:

- (1) Department of the Navy Reply to GAO Draft Report of 22 Mar 1971  
on the Naval Reserve Drill Pay System (OSD Case #3255)

## APPENDIX I

Department of the Navy Reply  
to  
GAO Draft Report of March 1971  
on  
The Naval Reserve Drill Pay System  
(OSD Case #3255)

### 1. Summary of GAO findings and recommendations

The General Accounting Office review of the Naval Reserve Drill Pay System was made in response to Congressional interest in military pay systems. The examination was made to determine if the system is operating effectively and whether Reservists are receiving proper drill payments and retirement credits.

GAO found the basic documents -- attendance records and drill reports -- for the Naval Reserve Drill Pay System contain discrepancies in the number of drills performed by Reservists. The absence of uniform attendance procedures and a standard attendance form contributed to the discrepancies. Hence, erroneous payments were made to Reservists and erroneous credit for drills was recorded for retirement benefits. In July 1969, the Navy made erroneous payments totaling about \$113,000. Follow-up reviews by GAO at certain units in June-July 1970 disclosed similar deficiencies. With respect to the erroneous payments found by GAO, it was stated that "None of the erroneous payments we found were attributable to the functions performed by the Navy Finance Center. We found that the Center is effectively processing drill payments and maintaining pay records for reservists based upon reports it receives."

The opinion was expressed by GAO that, to insure accuracy of drill reports, internal reviews and audits should be made of the controls and procedures used by the reserve units in recording and reporting drills performed, and by the Navy Finance Center in processing drill payments. GAO feels that Navy internal reviews -- primarily command inspections -- have not adequately accomplished this purpose. It was further pointed out that the Naval Audit Service has never made a comprehensive review of the Naval Reserve Drill Pay System.

Additional comments were made regarding use of the same basic document, i.e., the drill report, by the Navy's two automated systems -- the drill pay and personnel management information systems -- and the manual reserve officer retirement record system. GAO suggested that the Navy reconsider automating officer's retirement records and combining this function with either the drill pay system or the personnel management information system.

Enclosure (1)

Specific recommendations were made by the General Accounting Office as follows. To assure that accurate attendance data are submitted for use in the drill pay system, GAO recommended that the Secretary of the Navy prescribe uniform procedures for observing and recording attendance at drills, a standard attendance form for use by all reserve units, sign-in and sign-out procedures for use by reserve units where practicable, and procedures for verifying drill reports to attendance records. In addition, GAO recommended that the Secretary of the Navy require the reserve commands to issue uniform and specific inspection guidelines for all types of reserve units and kinds of personnel, and the Naval Audit Service to review periodically the adequacy of the command inspections and the effectiveness of the Naval Reserve Drill Pay System.

2. Statement. The Navy considers that the GAO Review has been helpful in providing a more comprehensive examination of the data accuracy of the Naval Reserve Drill Pay System than has been made previously, and that many of the GAO proposals for improving the accuracy of the system will be helpful. As indicated in the GAO Report, some of the proposals were adopted during the review and, as stated later in this reply, others have been adopted, or are under consideration. However, two of the recommendations made by the General Accounting Office are not concurred in by the Navy and will not be adopted as stated later in this reply.

The Navy concurs with the recommendations for observing and recording attendance at drills, a standard attendance form, and procedures for verifying drill reports to attendance records. The Chief of Naval Personnel will coordinate the development of a standard form and implement procedures to assure accurate attendance data.

The Navy does not concur with the requirement for naval reservists to sign-in and sign-out at drills. It is felt that the development of a standard form and implementation of procedures to assure accurate attendance data will nullify the need for adoption of this recommendation.

Navy concurs with the recommendation for reserve commands to issue uniform and specific inspection guidelines in the management of the drill pay system for all types of reserve units. The commands involved are currently reviewing their inspection guidelines for command inspections, and will revise them as deemed necessary to conform to the findings in the GAO Report. In addition, special instructions are currently being drafted by all commands emphasizing uniform procedures for observing and recording attendance at drills.

## APPENDIX I

With respect to the GAO suggestion that the Navy reconsider automating officer's retirement records and combining this function with either the drill pay system or the personnel management information system, the following comments are furnished. As stated in the GAO Report, the Navy has previously determined that automation of reserve participation recording at Naval Officer Record Support Activity (NORSA), Omaha, Nebraska, was not economically practicable. Studies conducted in the past indicated the NORSA functions by itself would not justify the expenditure of funds for an automated system. However, it may be that the suggestion that the officer functions at NORSA be combined with an already existing automated system has merit. In consideration of the possible merit of the suggestion, the Chief of Naval Personnel will conduct an investigation concerning the merger of NORSA and the Naval Reserve Manpower Center (NRMC). In addition to the desirability of such a consolidation, savings in resources and manpower will be addressed, as well as estimated one-time movement costs. If the merger is determined to be practicable, an implementation plan will be accomplished.

The GAO recommended that the Secretary of the Navy require the Naval Audit Service to periodically review the adequacy of the command inspections and the effectiveness of the Naval Reserve Drill Pay System. From the discussion preceding the recommendation, it appears the intent of this recommendation is that the entire drill pay system, from the recording of attendance at drills to the payment for these drills by the Navy Finance Center, be covered by each periodic review. The Naval Audit Service is now performing effective periodic audits of the various segments of the Reserve Drill Pay System. These audits have disclosed the same type of discrepancies noted by the GAO in this report, i.e. inaccuracies in mustering procedures, apparent overpayments of drill pay, and a need for a uniform and accurate reporting system of drill attendance. An all inclusive (comprehensive) audit would require more resources than the type of audit now being performed and would not, in the opinion of the Navy, be more effective in disclosing deficiencies and the corrective action required. Therefore, the Navy plans to continue the present audit procedures for this area on the basis that they are the most economically effective application of available audit effort.

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